

Service Date: September 17, 1986

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER Of The Application)	
Of PACIFICORP dba PACIFIC POWER &)	
LIGHT COMPANY For An Order Author-)	UTILITY DIVISION
izing It To Issue Not More Than)	DOCKET NO. 86.8.42
25,000 Shares Of Its Common Stock)	DEFAULT ORDER NO. 5221
Under Its Bargaining Employees')	
Stock Ownership Plan and Trust.)	

On August 29, 1986, PacifiCorp dba Pacific Power & Light Company (Pacific) , a corporation organized and existing under and by virtue of the laws of the State of Maine and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to Sections 69-3-501 through 69-3-507, MCA, requesting an order authorizing Pacific to issue not more than 25,000 shares of its common stock of a par value \$3.25 (shares) to qualified employees pursuant to its Bargaining Employees' Stock Ownership Plan and Trust (Plan).

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas companies operating within Montana.

For detailed information with respect to the general character of Pacific's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission, held in its offices at 2701 Prospect Avenue, Helena, Montana, on September 15, 1986, there came before the Commission for final action the matters and things in Docket No. 86.8.42, and the Commission, having fully considered the application and all data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS

1. Pacific is a corporation organized and existing under and by virtue of the laws of the State of Maine and is qualified to transact business in the State of Montana.
2. Pacific is operating as a public utility as defined in Section 69-3-101, MCA, and is engaged in furnishing electric and water service in Montana.
3. The Commission has jurisdiction over the subject matter of the application under Section 69-3-102, MCA.
4. Notice of the application was published as a part of the Commission's regular weekly agenda.
5. Many companies have established employee stock ownership plans (ESOPs) to provide for employee ownership of company shares. Pacific adopted an ESOP in 1983 for its nonunion employees. The new Plan is for its union employees.
6. The Plan is primarily designed as a payroll based ESOP (PAYSOP) (Effective as of January 1, 1985), available to qualified employees of Pacific. As such, the Plan will be funded with a PAYSOP tax credit based on a percentage of covered compensation for all covered employees. For the years 1985, 1986 and 1987, the percentage is currently 0.50. Additional PAYSOP credits will not be available after 1987 unless extended by the Congress and proposed legislation would eliminate the credit for 1987. Qualified employees are those employees of Pacific covered by a collective bargaining agreement which provides for participation in the Plan. The attractiveness of the Plan is founded principally in the provision of a benefit to employees at very little cost to Pacific. As in Pacific's ESOP for nonunion employees, the low start-up, administration and trustee costs will be borne wholly by Pacific and the full amount of the tax credits will be used to fund securities for allocation to employee accounts.
7. The Plan has been patterned after Pacific's existing ESOP for its nonunion employees. Pacific's union employees are not participants in that program. The Plan is designed to provide an additional benefit to employees which will be essentially funded by dollars that would otherwise be paid in federal taxes. Participation in the Plan is mandatory for qualified employees. There is no cost to qualified employees of participation in the Plan. Voluntary contributions by qualified employees are not permitted.
8. An employee will become a participant in the Plan on the later of January 1, 1985, or the first of the month after completing one year of service. The Plan shares are kept in trust for the employees and are not available to them until termination of employment or death; therefore, the Plan provides a form of deferred income or compensation for participating employees. Participating employees have the right to vote the shares held in trust. Dividends on the Plan shares will be used to purchase additional shares.

9. As allocation of the contributed shares to employee trust accounts is based on employee payroll income up to \$100,000 annually, the method of allocation of shares is equitable and nondiscriminatory.

10. The Plan is available to qualified employees of PacifiCorp and its subsidiary companies. However, at present, only Pacific is adopting the Plan as a participating employer.

11. The shares will be issued pursuant to Pacific's Restated Articles, as amended, and will constitute additional shares within the 100,000,000 authorized.

12. The shares will rank equally with outstanding shares in all respects. The rights are set out in Pacific's Restated Articles of Incorporation, as amended.

13. Pacific has adopted the Plan under which it proposes to contribute not more than 25,000 common shares over time to employee trust accounts established and maintained by the First Interstate Bank of Oregon, N.A., trustee. The shares will be funded by tax credits made available for that purpose by the United States of America which credits will reduce Pacific's annual income tax liability by the amount of the annual contribution. The exact number of shares contributed will depend upon the amount of tax credits available to Pacific, its ability to use the credits, and the market price of the common shares.

14. An election to take the available tax credits must be made on Pacific's federal tax return. The election must be made in connection with the tax filing for the year of the compensation base even if the credit can only be utilized in a later year using carry forward rules. If desired, Pacific may make a partial election for a year claiming less than the full one-half of one percent credit, but any credit not used in a particular year cannot be carried forward on this basis to a later year. The contribution in the form of common stock or cash must be made within 30 days after the filing date of the return utilizing the credits.

15. Under the Plan, the value of the shares to be contributed will be determined by averaging the closing prices of the shares for the 20 consecutive trading days immediately preceding the date the stock is contributed.

16. The Plan does not allow in-service distribution of shares to employees. The Plan may be terminated by Pacific at any time. In the event the Plan is terminated, the Plan does not allow distribution of shares to employees sooner than seven years after contribution of those shares by Pacific, except in the event of termination of employment or death.

17. Shares contributed under the Plan and allocated to employee trust accounts may not be pledged, assigned, transferred, or attached, but the employee may vote the shares. Participants in the Plan are 100 percent vested immediately.

18. The Plan will be administered and interpreted by a Retirement Committee (Committee) to be appointed by Pacific. The Committee members will not be compensated for their services, but will be reimbursed for expenses. The Committee will submit annually to each participant a statement showing Pacific's contributions and each participant's account allocation balances.

19. The Plan allows for extension of activities should Congress determine to continue to allow for funding the Plan and other plans through additional tax credits.

20. ESTIMATED RESULTS OF THE ISSUANCE

	<u>Per Share</u>	<u>Total Gross</u>
Proceeds (Using approximate price for August, 1986)	\$36.00	\$900,000
Less Issuance Expenses	<u>.72</u>	<u>18,000</u>
Net Proceeds	\$35.28	\$882,000

21. The start-up, administration, and trustee costs will be borne wholly by Pacific and the full amount of the tax credits will be used to fund securities for allocation to employee accounts. The magnitude of the costs is not greater than customary fees for the services required and is reasonable given the cost of rendering the service.

22. The net proceeds of the issuance will be used to reimburse Pacific's treasury for funds expended from income and from other treasury funds that were not derived from the issuance of securities. The funds to be reimbursed were used in furtherance of one or more of the utility purposes authorized by Section 69-3-501, MCA. To the extent that the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of a utility purpose.

23. Issuances under the Plan are part of an overall plan to finance the cost of Pacific's facilities taking into consideration prudent capital ratios.

24. The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of any issuance-related ratemaking issues, which issues are expressly reserved until the appropriate proceeding.

CONCLUSIONS

The proposed common stock issuance to which the application relates will be for lawful objects within the corporate purposes of Pacific. The method of financing is proper. The application should be approved.

ORDER

IT IS, THEREFORE, ORDERED by the Commission that:

1. The application of PacifiCorp dba Pacific Power & Light Company, filed on August 29, 1986, for authority to issue not more than 25,000 shares of its common stock pursuant to its Bargaining Employees' Stock Ownership Plan and Trust, pursuant to Sections 69-3-501 through 69-3-507, MCA, and to use the proceeds for normal utility purposes, is approved.
2. PacifiCorp dba Pacific Power & Light Company shall file the following as they become available:
 - a. The "Report of Securities Issued" required by 18 CFR 34.10.
 - b. A verified statement showing the disposition of the issuance proceeds in reasonable detail.
3. Issuance of this order does not constitute acceptance of PacifiCorp dba Pacific Power & Light Company's exhibits or other material accompanying the application for any purpose other than the issuance of this order.
4. Approval of the transaction authorized shall not be construed as precedent to prejudice any future action of this Commission.
5. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp dba Pacific Power & Light Company pursuant to the provisions of this order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed.
6. This order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 15th day of September, 1986, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell
Acting Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.